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SENSITIVE
SIPDIS

DEPARTMENT PASS TO USTR-AGAMA
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TAGS: PGOV EAGR ETRD KDEM ECON EPET MOPS KTIP NI
SUBJECT: NIGERIA: BI-WEEKLY POL/ECON UPDATES FOR AUGUST 16-31,
2008

¶11. (U) The following is a joint Embassy Abuja/ConGen Lagos compilation of August 16-31 political/economic highlights, which did not feature in our other reporting, covering:

--Military, Security, and Bakassi
--Economic and Business
--Southern Political
--Oil and Gas
--Other News

Military, Security, and Bakassi

¶12. (U) On August 25, the Nigerian Senate said it would "continue to work on" the ratification of the Green Tree Agreement, despite the fact that the final handover of the peninsula occurred August 14. Deputy Senate Leader Victor Ndoma-Egba said that the Senate Joint Committee on Foreign Affairs, Judiciary, States and Local Government would continue to scrutinize the treaty, and would produce a report recommending what actions the Senate should take.

¶13. (U) Twenty eight military officers who returned in April 2008 from serving in the United Nations peacekeeping force in Liberia are suing the Nigerian Army over their alleged unlawful detention. Seeking immediate release and 30 million naira in damages, they say that after a two-week wait at Akure Barracks they were denied their \$6000 each allowance, made to return to their home base, and then were summoned to return the next month merely to be offered only \$3000. Upon complaining, they were arrested and have been held since July 5. Included as a respondent in the suit is new Chief of Army Staff Major General A. B. Dambazau, who, upon assuming his new position, promised to stamp out insubordination and disrespect in the ranks. Some observers believe the lawsuit is a result of soldiers' expectations of better treatment in a hopefully increasingly professional Nigerian military.

Economic and Business

¶14. (SBU) Foreign Agricultural Service Lagos reports that two major rice importers are filling their warehouses with the product in advance of a possible re-imposition of a 109% tariff on imported rice. Despite newspaper reports of some importers hoarding duty-free rice in hopes of reaping a windfall, these two importers claim they do not expect the GON to re-impose the tariff on imported rice until early 2009 at the earliest and say they are pushing for a

30% tariff, or none at all, given the still high global rice price. (Note: The GON temporarily suspended its 109% tariff on imported rice in May. The suspension is due to expire October 31. End Note.)

¶5. (SBU) According to Costal Inland Marine Services (CIMS), a subsidiary of U.S.-based Trico Marine, maritime companies in the oil service industry have adopted self-help measures at tremendous cost to counter piracy in Nigeria's coastal water. The companies, organized through the Marine Industrial Service Consultative Organization (MISCO), have recently agreed to move their service vessels in convoys and restrict movements to daylight hours. The threat of piracy has kept many companies from signing contracts. CIMS said the industry is concerned about the bureaucratic and financial constraints facing the Nigerian Maritime Administration and Safety Agency (NIMASA) and the efficacy of the Nigerian Navy's patrols.

¶6. (SBU) Mrs. Bola Kupolati of the Nigerian Department of Fisheries told Lagos Poloff on August 25 that piracy has become a serious problem for the Nigerian fishing fleet. The fleet, 90% of which is based in Lagos, did not leave port from April to the end of June after pirate attacks on fishing trawlers resulted in the deaths of several fishermen. Some of the fishing fleet risked going to sea again in July and August after promises of better protection from the Nigerian Navy, but according to Kupolati the pirates are better armed than the Navy patrol boats and the Navy is more interested in interdicting illegal bunkering than protecting fishermen.

¶7. (SBU) A \$350 million tourist complex, including a shopping center, movie studios and entertainment park built in the jungle

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near Calabar, Cross River State, remains closed. Although the main buildings and infrastructure are complete, the complex has yet to open because the necessary law permitting a planned retail free-trade zone has not been published. According to Daniel Ologunleko, the Deputy General Manager of the Tinapa free trade zone, the resort is expected to open in December. Ologunleko said the resort had contracts with several retailers, notably Shop-Rite from South Africa, and added that it would welcome American retailers such as Wal-Mart. The existing Tinapa complex also remains stymied due to policy and procedural issues.

¶8. (SBU) At a time when the international shipping community is facing a severe shortage of trained seafarers to man an expanding fleet, the Maritime Academy of Nigeria (MAN) remains incapable of training Nigerians to the standards necessary to qualify for these jobs. MAN, located in Oron, Akwa Ibom State, lacks a training vessel, computers, internet access for students, simulator facilities, and equipped laboratories. Only 13% of the staff is qualified as either a master mariner or chief engineer. One third of the staff has no experience at sea whatsoever. Graduates of the two year basic course or the three year "advanced" course cannot meet international standards required of seafarers.

¶9. (SBU) After 50 years in Nigeria, Panalpina World Transport (Nigeria) Ltd., a subsidiary of Swiss-based Panalpina, an international provider of forwarding and logistics services, will sell its operations to Nigerian owners by September 30. The decision to sell resulted from the ongoing investigation into possible violations of the Foreign Corrupt Practices Act (FCPA) by Panalpina USA. The new company will be launched in early October, and will retain 200 of the 700 local employees, including expatriate staff.

Oil and Gas

¶10. (SBU) A senior U.S. oil company executive told the Charge d'Affaires on August 28 that the Yar'Adua administration has finished drafting legislation on comprehensive oil sector reform, and has sent it to the legislature for consideration. (Note: U.S. oil company government relations contacts say they have not yet seen a copy of the proposed legislation. End Note.) The executive

estimated reforms would not begin before Jan 1, 2010. He disputed the GON's claims that the legislation was the result of a dialogue with the oil industry, describing the relationship as "at best two monologues." The executive said oil companies will not make investment decisions in multi-billion dollar projects while so much uncertainty surrounds the future of the Nigerian oil sector.

(Comment: Policy and security uncertainty are already deterring investors. Final investment decisions on the Brass and OK liquefied natural gas plants have been delayed and the investor response to Nigeria's gas master plan has been underwhelming. The lead oil sector analyst of a major U.S. investment bank told EnergyOff on August 22 that "Nigeria isn't even on the investment radar screen." End Comment.)

¶11. (SBU) ExxonMobil and the Nigerian National Petroleum Corporation signed an agreement on August 31 to begin planning a gas to liquids plant in Akwa Ibom State. The plant would convert natural gas to diesel and naphtha. Billed in the local press and Reuters as a solution to Nigeria's need to import gasoline, the agreement is simply an agreement to begin planning. The project is far from the final investment decision stage. As a point of comparison, Chevron began feasibility studies for its Escravos gas to liquids plant in ¶1998. On May 18 Sasol, Chevron's partner in the Escravos plant, announced it was reviewing its participation in the project as costs soared to \$6 billion and the completion date was pushed back until ¶2011.

Southern Political

¶12. (SBU) Kidnappers who abducted the chairman of the Ondo State Oil Producing Area Development Commission (OSOPADEC), Chief Adewale Omojuwa, and six OSOPADEC commissioners on August 21 were trying to extort money from OSOPADEC, Dele Atunbi, Chairman of the Ondo Chapter of the Nigerian Union of Journalists, told PolSpec August ¶25. Atunbi said that criminal/militant activities have been on the

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increase in Ondo riverine area, led by restive youth seeking relevance and easy money, particularly through kidnapping.

Other News

¶13. (SBU) Cordelia Ebiringa, Deputy Superintendent of Immigration and head of the Trafficking in Persons Unit of the Cross Rivers State Command of the Nigerian Immigration Service, told Poloff August 19 that her unit is under-funded and under-trained. Ebiringa stressed that slavery is "endemic" in Cross River State and widely tolerated. The most common victims of the trade are children and young women. Although Ebiringa said she had no statistics to back her up, anecdotal evidence suggested that major international trafficking networks involved Nigerians along all segments of the route. Internal slavery, however, is also a major problem, with children from Cross Rivers being taken to the Southwest to work on plantations or as domestic help. Ebiringa praised the American Bar Association, which had brought experts to Nigeria in June for a seminar on Trafficking in Persons which was attended by Nigerian officials from a variety of agencies.

¶14. (SBU) Governor Christopher Alao-Akala of Oyo State paid a courtesy call on the Lagos Consul General on August 27. The Consul General shared information about the Foreign Commercial Service with Alao-Akala, who mentioned two Americans who are active in the Oyo business community; one is involved with a waste-to-ethanol project, and the other is pursuing work in the free trade zone outside Ibadan. Alao-Akala told the Consul General he was slated to travel on September 1 with Vice President Goodluck Jonathan to Zambia for the Presidential Funeral. (Note: the Vice President did not attend due to President Yar'Adua's absence from Nigeria. End Note.)

PFLAUMER